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GENERAL

CIA /S

1. US export policy in Far East--The Department of State has informed US Embassy Seoul that the US plans in the near future to require that a validated export license be obtained for the shipment of all commodities from the US to China, Manchuria, Taiwan, Hong Kong, Macao, North and South Korea, and possibly other Far East areas. According to the Department, the proposed controls are designed to prevent both the transhipment of strategic items to the USSR and the supply of goods to the Chinese Communists for military purposes. The Department also hopes to maintain control over key exports to China and Manchuria in order to influence to some extent the orientation of the Chinese Communists and to protect US commercial interests.

FAR EAST

CIA /cont.

2. CHINA: Nationalists plan to blockade Communist ports--The Nationalist Vice Foreign Minister has informed US Counselor Clark in Canton that the Nationalist Government has drawn up a definite plan for the closure of all Communist-held ports to sea and air traffic in the immediate future. Clark doubts, however, that the Nationalists can establish an effective blockade.

(CIA Comment: CIA believes that, with the possible exception of Shanghai, the Nationalist Government is currently incapable of establishing an effective blockade on Communist-held ports. CIA further believes that the Nationalists are probably making a desperate attempt to force the US to grant them further aid in return for lifting or not imposing the blockade.)

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